

**TOWN OF JERICHO, VERMONT**  
**AUDIT REPORT AND FINANCIAL STATEMENTS**  
**JUNE 30, 2012**  
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# FOTHERGILL SEGALE & VALLEY

*Certified Public Accountants*



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## INDEPENDENT AUDITOR'S REPORT

December 4, 2012

To the Members of the Selectboard  
Town of Jericho  
Jericho, Vermont

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Jericho as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2012, and the respective changes in financial position, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2012, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required part of the financial statements. Such information is the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

*Fothergill Segale & Valley, CPAs*

FOTHERGILL SEGALE & VALLEY, CPAs  
Vermont Public Accountancy License #110

TOWN OF JERICHO, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012

Our discussion and analysis of the Town of Jericho, Vermont's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the Town's financial statements that begin with Exhibit A. This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives.

### **Financial Highlights**

- The Town's net assets (total assets less total liabilities) increased by \$674,181, or approximately 11.8% as a result of this year's operations, from \$5,712,968 to \$6,387,149.
- The total cost of all of the Town's programs was \$2,548,908, as compared to \$2,540,787 in the prior year, with no new programs added.
- The General Fund reported a decrease in fund balance this year of \$111,644 which was \$111,644 worse than the balanced budget, due to unbudgeted transfers.
- The Road Upgrade Fund reported a current year increase in fund balance of \$60,417, increasing the fund balance from \$203,476 to \$263,893.
- The Non-Major Funds reported a current year increase in fund balance of \$298,815, increasing the total fund balances from \$583,295 to \$882,110.

### **Using This Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (Exhibits A and B) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start with Exhibit C. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds.

#### *Reporting the Town as a Whole*

One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets (net of depreciation) and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. You can think of the Town's net assets – the difference between assets and liabilities – as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

TOWN OF JERICHO, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012

All of the Town's basic services are governmental activities, including the general administration. Property taxes, state and federal grants finance most of these activities.

*Reporting the Town's Most Significant Funds*

The fund financial statements begin with Exhibit C and provide detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town's Selectboard establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. Major funds in the Town fund statements are the General Fund, which contains most of the Town operations and the Road Upgrade Fund which accounts for funds as so stated in the title. There is one category for these funds, as follows:

Governmental fund

The Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in Exhibits D and F.

**The Town as a Whole**

The Town's combined net assets increased by \$674,181 from a year ago – increasing from \$5,712,968 to \$6,387,149. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental activities.

TOWN OF JERICHO, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012

Table 1 – Net Assets

	2012	2011	Change
Current and other assets	\$ 1,832,157	\$ 1,411,495	\$ 420,662
Capital assets	5,994,849	5,764,503	230,346
Total assets	<u>7,827,006</u>	<u>7,175,998</u>	<u>651,008</u>
Long-term debt outstanding	1,149,354	1,286,878	(137,524)
Other liabilities	290,503	176,152	114,351
Total liabilities	<u>1,439,857</u>	<u>1,463,030</u>	<u>(23,173)</u>
Net assets:			
Invested in capital assets, net of debt	4,710,901	4,498,428	212,473
Restricted	358,393	319,846	38,547
Unrestricted	1,317,855	894,694	423,161
Total net assets	<u>\$ 6,387,149</u>	<u>\$ 5,712,968</u>	<u>\$ 674,181</u>

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – changed \$894,694 at June 30, 2011 to \$1,317,855 at June 30, 2012, an increase of \$423,161. The largest change is the increase in capital assets and invested in capital assets, due to paying down debt and investments in capital assets.

Table 2 - Change in Net Assets

	2012	2011	Change
REVENUES			
Program revenues:			
Charges for services	\$ 275,731	\$ 233,171	\$ 42,560
Operating grants and contributions	179,098	232,987	(53,889)
Capital grants and contributions	161,198	333,658	(172,460)
General revenues:			
Property taxes, related int. & pen.	2,542,935	2,465,296	77,639
General state grants	33,266	28,543	4,723
Earnings on investments	16,234	17,349	(1,115)
Other general revenues	14,627	2,698	11,929
Total revenues	<u>3,223,089</u>	<u>3,313,702</u>	<u>(90,613)</u>
PROGRAM EXPENSES			
General government and administration	807,998	848,085	(40,087)
Highways and streets repairs and maint.	1,057,966	1,021,510	36,456
Cultural and recreation	120,011	117,278	2,733
Outside agencies	510,639	499,429	11,210
Interest on long-term debt	52,294	54,485	(2,191)
Total program expenses	<u>2,548,908</u>	<u>2,540,787</u>	<u>8,121</u>
EXTRAORDINARY ITEM, net	<u>0</u>	<u>(12,104)</u>	<u>12,104</u>
Increase in net assets	<u>\$ 674,181</u>	<u>\$ 760,811</u>	<u>\$ (86,630)</u>

TOWN OF JERICHO, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012

Governmental Activities

The increase in net assets for governmental activities was \$674,181 in 2012.

The cost of all governmental activities this year was \$2,548,908. However, as shown in the Statement of Activities on Exhibit B, some of the cost was paid by those who directly benefited from the programs (\$275,731) or by other governments and organizations that subsidized certain programs with grants and contributions (\$340,296).

Table 3 presents the cost of each of the Town's programs – as well as each program's net cost (total cost less revenue generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

Table 3  
Governmental Activities

	Total Cost of Services	Net (Revenue)/ Cost of Services	Total Cost of Services	Net (Revenue)/ Cost of Services
	2012	2012	2011	2011
General government	\$ 807,998	\$ 567,315	\$ 848,085	\$ 646,022
Highways and streets	1,057,966	763,918	1,021,510	498,058
Cultural and recreational	120,011	38,715	117,278	42,977
Outside agencies	510,639	510,639	499,429	499,429
Debt interest	52,294	52,294	54,485	54,485
Totals	<u>\$ 2,548,908</u>	<u>\$ 1,932,881</u>	<u>\$ 2,540,787</u>	<u>\$ 1,740,971</u>

**The Town's Funds**

As the Town completed the year, its governmental funds (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of \$1,417,874, which is above last year's total of \$1,170,286. This represents an increase of \$247,588.

Over the course of the year, the Selectboard members compare year-to-date actual amounts of revenues and expenditures to the budget. No adjustments to the budget were made during the year. The General Fund ended the year with a fund balance of \$271,871. During fiscal year 2012, expenditures and transfers were greater than revenues by \$111,644, which was \$111,644 worse than the balanced budget, due to unbudgeted transfers. Exhibit G shows the comparison of actual to budget for the General Fund.

The largest variances between budgeted amounts and actual amounts for expenditures occurred within the following categories: Selectboard; Town Clerk, Highways and Bridges; Buildings and Property, and Transfers out.

The variance in the Selectboard category is due mainly to lower than expected expenses for the annual audit, postage, travel and the use of professional consultants. The variance in the Town Clerk category is due to lower than expected expenses for record restoration and digitization. The variance in the Highways and Bridges category is due under-expenditures in many areas, many of which were related to a winter with little snowfall. The variance in the Buildings and Property category is due mainly to budgeted sidewalk construction not occurring. The variance in the Transfers was due to the Selectboard deciding to transfer some of the existing fund balance into Capital Funds, as part of creating a Capital Budget.

TOWN OF JERICHO, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012

**Capital Assets and Debt Administration**

*Capital Assets*

At June 30, 2012, the Town had \$5,994,849 invested in a broad range of capital assets, including highway and fire equipment, and buildings. (See Table 4 below) This amount represents a net increase (including additions and deductions) of \$230,346 over last year.

Table 4  
Capital Assets at Year-End  
(Net of Accumulated Depreciation)

	2012	2011	Change
Land	\$ 42,521	\$ 42,521	\$ 0
Construction in progress	42,045	38,741	3,304
Buildings and improvements	1,281,362	1,277,202	4,160
Vehicles and equipment	445,225	563,460	(118,235)
Infrastructure	4,183,696	3,842,579	341,117
Totals	<u>\$5,994,849</u>	<u>\$5,764,503</u>	<u>\$ 230,346</u>

This year's additions were:

Streetscape project	\$ 21,439
Various other sidewalk projects	3,302
Building improvements	65,889
Nashville Road Bridge	107,620
Barber Farm culvert	119,456
Paving and road improvements	254,425
	<u>\$ 572,131</u>

The Town's fiscal year 2012-13 capital budget calls for the Town to spend a total of \$853,000 on projects including \$137,000 for bridge improvements; \$200,000 for paving; \$100,000 for gravel road reconstruction; \$93,989 on sidewalks; \$138,909 on highway vehicles; and \$19,000 on building improvements and \$100,851 on Town Hall renovation debt service.

*Debt Administration*

At June 30, 2012, the Town had \$1,129,952 in bonds and leases outstanding versus \$1,266,075 on June 30, 2011 – a decrease of \$136,123 – as shown in Table 5.

Table 5  
Outstanding Debt at Year-End

	2012	2011	Change
People's United Bank	\$1,020,000	\$1,080,000	\$ (60,000)
Kansas State Bank	58,642	85,734	(27,092)
Kansas State Bank	51,310	100,341	(49,031)
Totals	<u>\$1,129,952</u>	<u>\$1,266,075</u>	<u>\$ (136,123)</u>



TOWN OF JERICHO, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012

**Economic Factors and Next Year's Budgets and Rates**

For the 2012-2013 fiscal year, the municipal property tax rate for the Town General Fund increased by \$0.0062 or 1.4% to \$0.4641.

**Contacting the Town's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Office at Town of Jericho, Jericho, Vermont.

TOWN OF JERICHO, VERMONT  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

EXHIBIT A

	<u>Governmental Activities</u>	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,492,458	
Delinquent taxes, penalties and interest receivable net of \$20,000 allowance	150,534	
Accounts receivable	140,282	
Prepaid expenses	48,883	
Total current assets		1,832,157
Noncurrent assets:		
Capital assets:		
Land	42,521	
Construction in progress	42,045	
Property and equipment (net of allowance for accumulated depreciation of \$1,674,269)	5,910,283	
Total noncurrent assets		5,994,849
Total assets		7,827,006
LIABILITIES		
Current liabilities:		
Accounts payable	79,607	
Construction payable	153,996	
Accrued interest payable	12,220	
Deferred revenue	44,680	
Total current liabilities		290,503
Noncurrent liabilities:		
Accrued compensated absences due after one year	19,402	
Bond and capital leases payable -		
Due within one year	139,862	
Due after one year	990,090	
Total noncurrent liabilities		1,149,354
Total liabilities		1,439,857
NET ASSETS		
Unrestricted	1,317,855	
Restricted	358,393	
Invested in capital assets, net of related debt	4,710,901	
Total net assets		\$ 6,387,149

TOWN OF JERICHO, VERMONT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012

EXHIBIT B

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenues and Change in Net Assets</u>
Governmental Activities:					
General government and administration	\$ 807,998	\$ 162,253	\$ 28,430	\$ 50,000	\$ (567,315)
Highways and streets	1,057,966	41,240	141,610	111,198	(763,918)
Cultural and recreational	120,011	72,238	9,058	0	(38,715)
Outside agencies	510,639	0	0	0	(510,639)
Interest on long-term debt	52,294	0	0	0	(52,294)
Total governmental activities	<u>\$ 2,548,908</u>	<u>\$ 275,731</u>	<u>\$ 179,098</u>	<u>\$ 161,198</u>	<u>(1,932,881)</u>
General Revenues:					
Property taxes					2,513,654
Interest and penalties on delinquent taxes					29,281
General state grants (current use)					33,266
Earnings on investments					16,234
Miscellaneous					14,627
Total general revenues					<u>2,607,062</u>
Change in net assets					674,181
Net assets - July 1, 2011					<u>5,712,968</u>
Net assets - June 30, 2012					<u>\$ 6,387,149</u>

Supplemental Information:  
 Governmental Activities  
 Total Governmental Activities  
 Total Governmental Activities  
 Total Governmental Activities  
 Total Governmental Activities  
 Total Governmental Activities

TOWN OF JERICHO, VERMONT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

EXHIBIT C

	Major Funds		Non-Major Funds	
	General	Road	Other	
	Fund	Upgrade	Governmental	
	Fund	Fund	Funds	Totals
<b>ASSETS</b>				
Cash and cash equivalents	\$ 682,962	\$ 203,893	\$ 605,603	\$ 1,492,458
Delinquent taxes, penalties and interest net of \$20,000 allowance	150,534	0	0	150,534
Accounts receivable	140,282	0	0	140,282
Prepaid expenses	48,883	0	0	48,883
Due from other funds	0	60,000	276,507	336,507
Total assets	<u>\$ 1,022,661</u>	<u>\$ 263,893</u>	<u>\$ 882,110</u>	<u>\$ 2,168,664</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 79,607	\$ 0	\$ 0	\$ 79,607
Construction payable	153,996	0	0	153,996
Due to other funds	336,507	0	0	336,507
Deferred revenue - other	882	0	0	882
Deferred revenue - taxes	136,000	0	0	136,000
Deferred revenue - recreation	43,798	0	0	43,798
Total liabilities	<u>750,790</u>	<u>0</u>	<u>0</u>	<u>750,790</u>
<b>FUND BALANCES</b>				
Nonspendable, prepaid	48,883	0	0	48,883
Restricted	0	0	358,393	358,393
Assigned	0	263,893	523,717	787,610
Unassigned	222,988	0	0	222,988
Total fund balances	<u>271,871</u>	<u>263,893</u>	<u>882,110</u>	<u>1,417,874</u>
Total liabilities and fund balances	<u>\$ 1,022,661</u>	<u>\$ 263,893</u>	<u>\$ 882,110</u>	<u>\$ 2,168,664</u>

TOWN OF JERICHO, VERMONT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2012

EXHIBIT D

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,417,874

Amounts reported for governmental activities in the  
statement of net assets are different because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported as  
assets in governmental funds. The cost of the assets is  
\$7,669,118 and the accumulated depreciation is \$1,674,269. 5,994,849

Deferred tax revenues are recognized as earned on the accrual basis  
in the statement of net assets, not the modified accrual basis. 136,000

Long-term liabilities, including bonds and notes payable, are not  
due and payable in the current period and therefore are not  
reported as liabilities in the funds. Long-term liabilities at  
year end consist of:

Bonds and notes payable	1,020,000	
Capital leases payable	109,952	
Accrued interest on bonds and notes payable	12,220	
Accrued compensated absences	<u>19,402</u>	<u>(1,161,574)</u>

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 6,387,149

TOWN OF JERICHO, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012

EXHIBIT E

	Major Funds		Non-Major Funds	
	General	Road	Other	
	Fund	Upgrade	Governmental	Totals
		Fund	Funds	
REVENUES				
Property taxes	\$ 2,483,935	\$ 0	\$ 0	\$ 2,483,935
Current use	30,841	0	0	30,841
Fees and licenses	205,018	0	0	205,018
Intergovernmental	322,794	0	17,502	340,296
Charges for services	33,024	0	37,689	70,713
Interest income	14,693	417	1,124	16,234
Miscellaneous	17,052	0	0	17,052
Total revenues	<u>3,107,357</u>	<u>417</u>	<u>56,315</u>	<u>3,164,089</u>
EXPENDITURES				
Current				
General government	657,810	0	0	657,810
Public safety	86,301	0	0	86,301
Highways and streets	777,909	0	0	777,909
Health services	3,560	0	0	3,560
Cultural and recreational	120,011	0	0	120,011
Outside agencies	510,639	0	0	510,639
Debt service				
Interest	52,018	0	0	52,018
Principal	136,123	0	0	136,123
Capital outlay	572,130	0	0	572,130
Total expenditures	<u>2,916,501</u>	<u>0</u>	<u>0</u>	<u>2,916,501</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>190,856</u>	<u>417</u>	<u>56,315</u>	<u>247,588</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	0	60,000	242,500	302,500
Operating transfers out	(302,500)	0	0	(302,500)
Total other financing sources (uses)	<u>(302,500)</u>	<u>60,000</u>	<u>242,500</u>	<u>0</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	<u>(111,644)</u>	<u>60,417</u>	<u>298,815</u>	<u>247,588</u>
FUND BALANCES - JULY 1, 2011	<u>383,515</u>	<u>203,476</u>	<u>583,295</u>	<u>1,170,286</u>
FUND BALANCES - JUNE 30, 2012	<u>\$ 271,871</u>	<u>\$ 263,893</u>	<u>\$ 882,110</u>	<u>\$ 1,417,874</u>

TOWN OF JERICHO, VERMONT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT  
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012

EXHIBIT F

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	247,588
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$572,130) exceeds depreciation expense (\$341,786) in the period.		230,344
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Repayment of bond and notes principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		136,123
--	--	---------

Property taxes are recognized on an accrual basis in the statement of net assets, not the modified accrual basis. The deferred property taxes increased by \$59,000.		59,000
--	--	--------

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The decreased interest reported in the governmental activities is because accrued interest on bonds and notes payable increased.		(276)
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Accrued compensated absences decreased during the year.		<div style="border-top: 1px solid black; display: inline-block;">1,402</div>
--	--	--

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block;">674,181</div>
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TOWN OF JERICHO, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - COMPARED TO BUDGET  
GENERAL FUND  
YEAR ENDED JUNE 30, 2012

EXHIBIT G

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Property taxes	\$ 2,494,332	\$ 2,454,654	\$ (39,678)
Penalties and interest	21,500	29,281	7,781
Current use program	25,000	30,841	5,841
Fees and licenses	168,600	205,018	36,418
Intergovernmental	235,379	322,794	87,415
Interest income	10,000	14,693	4,693
Snow Plowing Ethan Allen, Comcast	28,000	19,671	(8,329)
Town library reimbursement	13,157	13,353	196
Miscellaneous	59,200	17,052	(42,148)
Total revenues	<u>3,055,168</u>	<u>3,107,357</u>	<u>52,189</u>
<b>EXPENDITURES</b>			
<b>Current</b>			
Town treasurer	47,881	53,253	(5,372)
Selectboard	248,520	229,523	18,997
Town clerk	137,176	115,114	22,062
Listing	45,086	36,821	8,265
Health services	4,050	3,560	490
Planning and zoning	96,488	90,525	5,963
Highways and bridges	924,157	777,909	146,248
Summer recreation program	79,846	78,716	1,130
Employee expenses and benefits	15,600	12,159	3,441
Police and safety	86,000	86,301	(301)
Buildings and property	197,889	115,815	82,074
Conservation commission	1,700	4,400	(2,700)
Open space	5,810	1,945	3,865
Landfill	5,600	4,600	1,000
Town library	34,735	34,950	(215)
Contingency	10,000	0	10,000
Outside agencies	521,098	510,639	10,459
Capital outlay - highway infrastructure	325,000	490,562	(165,562)
Capital outlay - streetscape	0	15,679	(15,679)
Capital outlay - buildings and improvements	0	65,889	(65,889)
<b>Debt service</b>			
Interest	42,732	52,018	(9,286)
Principal	170,500	136,123	34,377
Total expenditures	<u>2,999,868</u>	<u>2,916,501</u>	<u>83,367</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>55,300</u>	<u>190,856</u>	<u>135,556</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	20,000	0	(20,000)
Operating transfers out	(75,300)	(302,500)	(227,200)
Total other financing sources (uses)	<u>(55,300)</u>	<u>(302,500)</u>	<u>(247,200)</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<u>\$ 0</u>	<u>(111,644)</u>	<u>\$ (111,644)</u>
<b>FUND BALANCE - JULY 1, 2011</b>		<u>383,515</u>	
<b>FUND BALANCE - JUNE 30, 2012</b>		<u>\$ 271,871</u>	



TOWN OF JERICHO, VERMONT  
STATEMENT OF NET ASSETS  
FIDUCIARY FUNDS

EXHIBIT H

JUNE 30, 2012

	WCP Escrow Fund	Fire Department Fund	School Impact Fund	ID SD Impact Fund	Total
ASSETS					
Cash	\$ 6,840	\$ 10,004	\$ 68,550	\$ 2,194	\$ 87,588
Accounts receivable	0	0	1,176	0	1,176
Total assets	<u>\$ 6,840</u>	<u>\$ 10,004</u>	<u>\$ 69,726</u>	<u>\$ 2,194</u>	<u>\$ 88,764</u>
NET ASSETS					
Held in trust for other purposes	<u>\$ 6,840</u>	<u>\$ 10,004</u>	<u>\$ 69,726</u>	<u>\$ 2,194</u>	<u>\$ 88,764</u>

STATEMENT OF CHANGES IN NET ASSETS  
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2012

	WCP Escrow Fund	Fire Department Fund	School Impact Fund	ID SD Impact Fund	Total
ADDITIONS					
Interest and dividends	\$ 14	\$ 0	\$ 147	\$ 4	\$ 165
Charges for services	<u>0</u>	<u>0</u>	<u>16,272</u>	<u>490</u>	<u>16,762</u>
Total additions	<u>14</u>	<u>0</u>	<u>16,419</u>	<u>494</u>	<u>16,927</u>
DEDUCTIONS					
Payment to school	<u>0</u>	<u>0</u>	<u>37,369</u>	<u>587</u>	<u>37,956</u>
Total deductions	<u>0</u>	<u>0</u>	<u>37,369</u>	<u>587</u>	<u>37,956</u>
CHANGE IN NET ASSETS	14	0	(20,950)	(93)	(21,029)
NET ASSETS, JULY 1, 2011	<u>6,826</u>	<u>10,004</u>	<u>90,676</u>	<u>2,287</u>	<u>109,793</u>
NET ASSETS, JUNE 30, 2012	<u><u>\$ 6,840</u></u>	<u><u>\$ 10,004</u></u>	<u><u>\$ 69,726</u></u>	<u><u>\$ 2,194</u></u>	<u><u>\$ 88,764</u></u>

TOWN OF JERICHO, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

The Town of Jericho, Vermont (the Town) is a unit of local government organized under the statutes of the State of Vermont. The Town is governed by a three-member Select Board and Town Administrator. The Town provides various services as authorized and funded by State government or Town voters.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is primarily responsible for establishing GAAP for state and local governments through its pronouncements (including Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town are discussed below.

*Reporting Entity*

The Town's basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity are set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards.

Based on this criteria, the Town has no component units.

*Basic Financial Statements – Government-Wide Statements*

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the Town's activities are classified as governmental activities.

In the government-wide Statement of Net Assets, the governmental activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Town first utilizes restricted resources to finance qualifying activities for which both restricted and unrestricted resources are available.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions. The functions are also supported by general government revenue (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenue, operating and capital grants. Program revenue must be directly associated with the function (highway, public safety, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by governmental function) are normally covered by general revenue (property taxes, intergovernmental revenue, interest income, etc.).

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

TOWN OF JERICHO, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Basic Financial Statements – Fund Financial Statements*

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, restricted fund balances, fund equity, revenue and expenditures. The various funds are reported by major fund within the financial statements.

The emphasis in fund financial statements is on the major funds. GASBs No. 34 and No. 37 set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category type or the governmental and enterprise combined) for the determination of major funds. The General Fund and Road Upgrade Fund are shown as major governmental funds. All other funds are nonmajor and are combined in a single column in each of the respective fund financial statements.

The Town reports on the following major governmental funds:

General Fund is the main operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Road Upgrade Fund is used to account for funds assigned toward upgrading roads.

*Fiduciary Funds*

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

*Measurement Focus*

The accounting and financial reporting applied to a fund is determined by its measurement focus. Government-wide statements are reported using the economic resources measurement focus. This means that all assets and liabilities associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net assets). Fund equity (i.e. net total assets) is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets. Operating statements present increases (i.e. revenues) and decreases (i.e. expenses) in net total assets.

*Basis of Accounting*

Basis of accounting refers to the point at which revenue or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

TOWN OF JERICHO, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Accrual

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenue is recognized when transactions occur and expenses are recognized when liabilities are incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period. Property taxes and related revenues are considered available if collected within 60 days. All other revenue is considered available if collectible within six months. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, are recognized when due.

*Cash and Cash Equivalents*

The Town has defined cash and cash equivalents to include cash on hand and demand deposits.

*Capital Assets*

Infrastructure assets purchased or acquired with an original cost of \$25,000 and capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	15 – 30 years
Machinery and equipment	5 – 10 years
Infrastructure	15 – 40 years

GASB No. 34 requires the Town to report and depreciate new infrastructure assets effective with the beginning of fiscal year 2004 and is not required to report these assets retroactively. General infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc.

*Compensated Absences*

Government-Wide Financial Statements – All vested or accumulated vacation leave is reported as a liability and an expense on the government-wide financial statements. Sick days are not accrued since they are not paid when the employee terminates employment.

Fund Financial Statements - Vested or accumulated vacation leave that has matured is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are not reported as a liability in the fund financial statements and no expenditure is reported for these amounts. Unused sick days may be accumulated to use in the following year, but sick days are not accrued since they are not paid when the employee terminates employment.

TOWN OF JERICHO, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Net Assets*

Net assets represent the difference between assets and liabilities in the Statement of Net Assets. Net resources invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by Town legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

*Fund Equity*

GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions" provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balances - Indicates the portion of fund equity that cannot be spent due to their form (e.g. inventories and prepaids) or funds that legally or contractually must be maintained intact.

Restricted fund balances - Indicates the portion of fund equity that is mandated for a specific purpose by external parties, constitutional provisions, or enabling legislation (e.g. federal and state grants, bondholders, trust and trustee accounts).

Committed fund balances - Indicates the portion of fund equity that is set aside for a specific purpose by the Selectboard. Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned fund balances - Indicates the portion of fund equity that is set aside with the intent to be used for a specific purpose by the Selectboard or official that has been given the authority to assign funds (e.g. encumbrances, subsequent budgets). Assigned funds cannot cause a deficit in unassigned fund balance.

Unassigned fund balances - Indicates the portion of fund equity that has not been classified in the previous four categories. All funds in this category are considered spendable resources. This category provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

The Selectboard establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as special incentives). Assigned fund balance is established by the Selectboard through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service or other purposes).

When an expenditure is incurred that would qualify for payment with either restricted or unrestricted funds, it will be paid from restricted funds. When an expenditure is incurred that qualifies for payment from either of the three unrestricted fund balance categories, it will be applied first to committed, then assigned, then unassigned.

TOWN OF JERICHO, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Interfund Activities*

Interfund activities are reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenue and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund activities are treated as transfers. Transfers between funds are netted in the preparation of the government-wide financial statements.

*Budgetary Accounting*

The Town approves a budget for the General Fund at an annual Town Meeting and the tax rate is determined by the Selectboard based on the budget and Grand List. Formal budgetary accounting is employed as a management control device during the year for the General Fund.

*Use of Estimates*

The preparation of financial statements in conformity with accounting standards generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2 – DEPOSITS**

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a policy related to custodial credit risk. As of June 30, 2012, the bank balances were as follows:

FDIC insured	\$ 322,432
Uninsured, letter of credit	600,000
Uninsured, collateralized	764,920
Uninsured, uncollateralized	62,493
Total	<u>\$ 1,749,845</u>

TOWN OF JERICHO, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivable and payable balances at June 30, 2012 were:

	Interfund Receivables	Interfund Payables
General Fund	\$ 0	\$ 336,507
Road Upgrade Fund	60,000	0
Nonmajor Funds		
Preservation Fund	16,505	0
Reappraisal Fund	17,502	0
Stormwater Mitigation Fund	1,500	0
Sidewalk Fund	35,000	0
Buildings and Property Fund	50,000	0
Capital Projects Fund	30,000	0
Equipment Fund	64,500	0
Bridge Replacement Fund	50,000	0
Open Space Fund	11,500	0
Total	<u>\$ 336,507</u>	<u>\$ 336,507</u>

The interfund receivable balances reflected above represent funds transferred from the General Fund to the various other funds. These transfers were authorized at the end of June but the money was not transferred until after the end of the fiscal year.

**NOTE 4 - INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2012 are as follows:

Transfer to	Transfer from General Fund
Road Upgrade Fund	\$ 60,000
Nonmajor Funds	242,500
Totals	<u>\$ 302,500</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. They are also used to account for unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and management decisions.



TOWN OF JERICHO, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012, was as follows:

	Balance June 30, 2011	Additions/ Reclasses	Depreciation	Balance June 30, 2012
Capital assets not depreciated				
Land	\$ 42,521	\$ 0	\$ 0	\$ 42,521
Construction in progress	38,743	3,302	0	42,045
Total capital assets not depreciated	81,264	3,302	0	84,566
Capital assets being depreciated				
Buildings and improvements	1,504,880	65,889	0	1,570,769
Vehicles and equipment	1,159,113	0	0	1,159,113
Infrastructure	4,351,730	502,940	0	4,854,670
Total capital assets depreciated	7,015,723	568,829	0	7,584,552
Less accumulated depreciation for:				
Buildings and improvements	(227,678)	0	(61,729)	(289,407)
Vehicles and equipment	(595,653)	0	(118,235)	(713,888)
Infrastructure	(509,152)	0	(161,822)	(670,974)
Total accumulated depreciation	(1,332,483)	0	(341,786)	(1,674,269)
Total capital assets, net	\$ 5,764,504	\$ 572,131	\$ (341,786)	\$ 5,994,849

Depreciation expense was charged to General Government (\$61,729) and Highways and Streets (\$280,057).

**NOTE 6 - LONG-TERM DEBT**

Long-term debt at June 30, 2012 consists of the following:

	Total	Due in one year
Bond, Vermont Municipal Bond Bank, for Town Hall renovations, annual principal payment of \$60,000 beginning in 2010 plus interest adjusted annually between 1.9% and 4.65%, due 2029.	\$ 1,020,000	\$ 60,000
Lease payable - Kansas State Bank, for highway truck, annual payments of \$31,713 principal and interest at 5.29%, due October, 2013.	58,642	28,552
Lease payable - Kansas State Bank, for two highway trucks, annual payments of \$53,696 principal and interest at 3.95%, due October, 2012.	51,310	51,310
Total long-term bonds and notes payable	1,129,952	139,862
Accrued compensated absences	19,402	0
Total long-term debt	\$ 1,149,354	\$ 139,862

Changes in long-term debt were as follows:

Balance, July 1, 2011	\$ 1,286,879
Lease and bond payments	(136,123)
Decrease in compensated absences	(1,402)
Balance, June 30, 2012	<u>\$ 1,149,354</u>

TOWN OF JERICHO, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE 6 - LONG-TERM DEBT (Continued)**

The long-term bond and note debt is due to mature as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2013	\$ 139,862	\$ 46,400	\$ 186,262
June 30, 2014	90,090	40,500	130,590
June 30, 2015	60,000	36,800	96,800
June 30, 2016	60,000	34,600	94,600
June 30, 2017	60,000	32,400	92,400
June 30, 2018-2022	300,000	126,200	426,200
June 30, 2023-2027	300,000	61,600	361,600
June 30, 2028-2029	120,000	5,600	125,600
	<u>\$ 1,129,952</u>	<u>\$ 384,100</u>	<u>\$ 1,514,052</u>

Interest paid on long-term debt for the year ended June 30, 2012 was \$52,018.

**NOTE 7 – ASSIGNED AND RESTRICTED FUND BALANCES AND NET ASSETS**

Fund balances and net assets are assigned and restricted as follows:

	<u>Fund Balance</u>		<u>Net Assets</u>
	<u>Assigned</u>	<u>Restricted</u>	<u>Restricted</u>
Major Funds			
Road Upgrade Fund	\$ 263,893	\$ 0	\$ 0
Nonmajor Funds			
Bentley Cemetery Fund	0	2,674	2,674
Maude Brown Fund	0	3,905	3,905
Stevens Trust Fund	0	16,180	16,180
Preservation Fund	0	124,336	124,336
Reappraisal Fund	0	134,987	134,987
Road Impact Fees Fund	0	64,640	64,640
Recreation Impact Fund	0	11,671	11,671
Sidewalk Fund	93,521	0	0
Buildings and Property Fund	50,000	0	0
Capital Projects Fund	30,000	0	0
Stormwater Mitigation Fund	18,795	0	0
Equipment Fund	121,272	0	0
Bridge Replacement Fund	138,763	0	0
Open Space Fund	71,366	0	0
Total Nonmajor Funds	<u>523,717</u>	<u>358,393</u>	<u>358,393</u>
Total all funds	<u>\$ 787,610</u>	<u>\$ 358,393</u>	<u>\$ 358,393</u>

TOWN OF JERICHO, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE 8 - PROPERTY TAXES**

The Town levies its property tax based upon the assessed value as of April 1, for all real property, with exemptions to qualifying veterans and excludes assessments on municipal, school and church properties. Appointed listers establish a Grand List of all property and the Selectboard sets the tax rate required to raise the tax revenue authorized by Town and School District voters and the Vermont Department of Education. The tax is payable in three installments due August 15, November 15, and March 15. For the first two payments, interest at 1% per month is charged for installments not paid. After the final installment is due, a penalty will be charged of 1% per day up to 8% total. The following shows the tax rates for fiscal year 2012:

	<u>Residential</u>	<u>Non-residential</u>
General Fund	\$ 0.4579	\$ 0.4579
State Education Tax	<u>1.3060</u>	<u>1.4142</u>
	<u>\$ 1.7639</u>	<u>\$ 1.8721</u>

**NOTE 9 - PENSION PLANS**

All eligible employees of the Town are enrolled for coverage by the Vermont Municipal Employees' Retirement System (VMERS) immediately upon employment. VMERS has a defined benefit plan and a defined contribution plan that the Town participates in as follows:

*Defined Benefit Plan*

VMERS defined benefit plan is a cost sharing multiple-employer public employees' retirement system. Vermont State statutes provide the authority under which benefit provisions and the obligation to contribute are established. The Town and the employees make required contributions to the System based upon a valuation report prepared by the System's actuary.

There are four levels of contributions and benefits in the System called Group A, Group B, Group C and Group D. The Town participates only in Group B. For Group B, employee contributions are 4.5% of gross pay and employer contributions are 5% of gross pay.

Of the Town's total payroll of \$583,735, \$338,040 was covered under the VMERS defined benefit plan. Total employer contributions to this plan were \$16,902 for fiscal year 2012, \$16,561 for fiscal year 2011 and \$14,983 for fiscal year 2010.

The State of Vermont issues an audited Financial Report that includes financial statements and required disclosures. This report may be obtained by writing the State Auditor of Accounts, 132 State Street, Montpelier, VT 05602.

*Defined Contribution Plan*

The State of Vermont authorized VMERS to establish a new defined contribution (DC) plan available to members on July 1, 2000. The DC plan is a tax-sheltered money purchase plan under IRC 401(a). The plan includes a 5% employee contribution and a 5.125% employer contribution. 100% vesting occurs after one year of municipal service.

Of the Town's total payroll of \$583,735, \$82,719 was covered under the VMERS defined contribution plan. The total contributions to this plan by the employer were \$4,240 and by the employees were \$4,137.

TOWN OF JERICHO, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE 10 – LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

The Town landfill ceased operation in 1992. State and federal laws and regulations require that the Town perform certain maintenance and monitoring functions at the landfill site for twenty years after closure and to report monitoring results to the State regulatory agency. Postclosure care expenses of \$4,600 were recorded in the General Fund for both years ended June 30, 2012 and 2011 respectively. Future costs relating to postclosure care may be higher or lower due to inflation, changes in technology or changes in landfill laws and regulations.

**NOTE 11 - EXCESS OF EXPENDITURES AND TRANSFERS OVER APPROPRIATIONS**

For the year ended June 30, 2012, General Fund revenues exceeded expenditures by \$190,856. The Selectboard then approved transfers exceeding appropriations in the General Fund resulting in excess expenditures and appropriations of \$143,803. The excess transfers were funded by excess revenues and prior year fund balance.

**NOTE 12 - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The Town maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this commercial coverage in any of the past three (3) fiscal years.

**NOTE 13 – COMMITMENTS AND SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 4, 2012, the date which the financial statements were available for issue.

The Town has entered into a cooperative agreement with the State of Vermont Agency of Transportation in order to complete improvements along Vermont Route 15 in Jericho Corner, including: streetscape improvements, lighting, sidewalks and new crosswalks. The Town has agreed to take full responsibility for the development of the project and pay twenty percent of the total project costs eligible for federal participation. The Town has a fixed amount, \$637,500, of federal funds available for the project. In the years ended June 30, 2012 and 2011, the Town expended \$3,198 and \$398,668 respectively.

TOWN OF JERICHO, VERMONT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2012

SCHEDULE 1

	Special Revenue Funds					Capital Projects Funds								Total	
	Bentley Cemetery Fund	Maude Brown Fund	Stevens Trust Fund	Preservation Fund	Reappraisal Fund	Road Impact Fees Fund	Recreation Impact Fund	Sidewalk Fund	Buildings and Property Fund	Capital Projects Fund	Stormwater Mitigation Fund	Equipment Fund	Bridge Replacement Fund		Open Space Fund
ASSETS															
Cash	\$ 2,674	\$ 3,905	\$16,180	\$107,831	\$ 117,485	\$ 64,640	\$ 11,671	\$ 58,521	\$ 0	\$ 0	\$ 17,295	\$ 56,772	\$ 88,763	\$ 59,866	\$ 605,603
Due from other funds	0	0	0	16,505	17,502	0	0	35,000	50,000	30,000	1,500	64,500	50,000	11,500	276,507
Total assets	\$ 2,674	\$ 3,905	\$16,180	\$124,336	\$ 134,987	\$ 64,640	\$ 11,671	\$ 93,521	\$ 50,000	\$ 30,000	\$ 18,795	\$ 121,272	\$ 138,763	\$ 71,366	\$ 882,110
LIABILITIES AND FUND BALANCES															
Fund balances:															
Restricted	\$ 2,674	\$ 3,905	\$16,180	\$124,336	\$ 134,987	\$ 64,640	\$ 11,671	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 358,393
Assigned	0	0	0	0	0	0	0	93,521	50,000	30,000	18,795	121,272	138,763	71,366	523,717
Total fund balances	\$ 2,674	\$ 3,905	\$16,180	\$124,336	\$ 134,987	\$ 64,640	\$ 11,671	\$ 93,521	\$ 50,000	\$ 30,000	\$ 18,795	\$ 121,272	\$ 138,763	\$ 71,366	\$ 882,110

TOWN OF JERICHO, VERMONT  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

SCHEDULE 2

	Special Revenue Funds							Capital Projects Funds							Total	
	Bentley Cemetery Fund	Maude Brown Fund	Stevens Trust Fund	Preservation Fund	Reappraisal Fund	Road Impact Fees Fund	Recreation Impact Fund	Sidewalk Fund	Buildings and Property Fund	Capital Projects Fund	Stormwater Mitigation Fund	Equipment Fund	Bridge Replacement Fund	Open Space Fund		
Revenues																
Charges for services	\$ 0	\$ 0	\$ 0	\$ 16,505	\$ 0	\$ 19,984	\$ 1,200	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 37,689
Intergovernmental	0	0	0	0	17,502	0	0	0	0	0	0	0	0	0	0	17,502
Interest	15	15	59	192	216	99	22	92	0	0	33	81	181	119	119	1,124
Total revenues	15	15	59	16,697	17,718	20,083	1,222	92	0	0	33	81	181	119	119	56,315
Other financing sources																
Transfers in	0	0	0	0	0	0	0	35,000	50,000	30,000	1,500	64,500	50,000	11,500	11,500	242,500
Net changes in fund balances	15	15	59	16,697	17,718	20,083	1,222	35,092	50,000	30,000	1,533	64,581	50,181	11,619	11,619	298,815
Fund balances - July 1, 2011	2,659	3,890	16,121	107,639	117,269	44,557	10,449	58,429	0	0	17,262	56,691	88,582	59,747	59,747	583,295
Fund balances - June 30, 2012	\$ 2,674	\$ 3,905	\$16,180	\$ 124,336	\$ 134,987	\$ 64,640	\$ 11,671	\$93,521	\$ 50,000	\$ 30,000	\$18,795	\$ 121,272	\$138,763	\$ 71,366	\$ 71,366	\$882,110

# FOTHERGILL SEGALE & VALLEY

*Certified Public Accountants*



John E. (Jeff) Fothergill, CPA  
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Teresa H. Kajenski, CPA  
Donald J. Murray, CPA

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

December 4, 2012

To the Members of the Selectboard  
Town of Jericho  
Jericho, Vermont

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Jericho, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 4, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

Management of the Town, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Selectboard, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

*Fothergill Segale & Valley, CPAs*

FOTHERGILL SEGALE & VALLEY, CPAs  
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